

Chairman's Interim Report

For the six months to 30 September 2004

The Company has reported an operating deficit for the six months of \$592,000 this being closely comparable with the period's budgeted deficit position of \$670,000. For the similar period last year the deficit position was \$676,000, this against the deficit forecast of \$684,000. Our long-standing policy of carefully managing Company expenditure commitments has been maintained.

Shareholder approval for the sale of the Dunedin factory was obtained at the Annual General Meeting held on 26th July and the subsequent auction process generated \$1,125,000. After the inclusion of the gain resulting from the sale of this asset the Company has reported a net deficit of \$126,000. The auction price achieved for the plant compared favourably with the pre-sale commercial valuation report and we can confirm that the Company's lease-back arrangements for the facility are working well.

Our expectations of high level product performance in last season's New Zealand field trials with the newly developed dry formulation product have been fully realised and the national wine industry body, New Zealand Winegrowers has recently issued a media release publicly endorsing BOTRY-Zen. *"After seeing the trial results we are more enthusiastic than ever that we will soon have a commercially practical and successful biological option (to treat Botrytis) available to growers"* said Philip Manson Science & Innovation Manager for the Industry group. *"The Company has successfully developed the product to a point where it works well, comes in a user-friendly water dispersible granule formulation and has good shelf life that exceeds six months. A major element of the New Zealand wine industry's national and international development strategy"* said Mr Manson, *"is the promotion of this country's unique green agricultural image and as part of this approach we (the Industry) have always been committed towards trying to find sustainable soft options where disease control is concerned... BOTRY-Zen meets the criteria consistent with meeting these goals"*.

Over recent months we have seen growing international consumer concern where chemical residues are identified in food and beverage products and this trend is undoubtedly a major element driving the expanding number of European distributor inquiries we are now receiving.

Off-shore field trials have met our performance targets and concrete steps on the pathway towards EU and US Registration have been

taken. While we do not expect to achieve a commercial position in these markets before 2007 there are currently strong rumours circulating that Brussels protocol's covering biological products will soon be relaxed thus allowing us to advance on an earlier platform than anticipated. We will be pursuing lobbying opportunities that may assist to bring about these desirable alterations to the existing Registration process.


We aim to be fully commercially represented in the New Zealand market (on grapes, kiwifruit, flowers and blackcurrants) next season and we are sure that the positive profile generated through the related activity will add to the international interest already evident.

There is little doubt that we can now be very positive about the key "reality planks" that underpin the Company's position;

- **the product development programme has been successfully completed,**
- **the latest trialling clearly confirms the BOTRY-Zen in-field capability,**
- **the industry continues to thoroughly support the BOTRY-Zen programme,**
- **our intellectual property position is strong,**
- **the off-shore interest continues to grow as exposure to the Company's activities in New Zealand becomes more widespread.**

Meeting our objectives for the way forward however, as signalled in my March Report, will require some further capital raising activity and your Board is now addressing the options covering this requirement.

Management members and your Board of Directors remain confident that the approaching goals and challenges can be successfully met.



Dr Max Shepherd

Chairman

12th November 2004

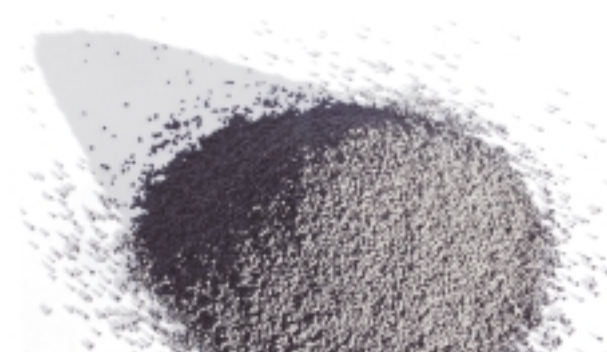


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Financial Information

Statement of financial performance for the 6 months ended 30 September 2004

	Sep-04 (6 months) \$000 Unaudited	Mar-04 (12 months) \$000 Audited	Sep-03 (6 months) \$000 Unaudited
Interest Revenue	16	72	47
Other Revenue	69	115	28
Total Revenue	85	187	75
Operating surplus/(deficit)	(592)	(1,275)	(676)
Gain on sale of building	466	-	-
Surplus/(deficit) before taxation	(126)	(1,275)	(676)
Provision for taxation	-	-	-
Net surplus/(deficit) for the period	(126)	(1,275)	(676)

Statement of financial position as at 30 September 2004

	Sep-04 \$000 Unaudited	Mar-04 \$000 Audited	Sep-03 \$000 Unaudited
Current assets			
Cash and short term deposits	368	895	1383
Accounts receivable and prepayments	1,174	22	14
Taxation refund	-	-	7
	1,542	917	1,404
Non-current assets			
Property, plant and equipment	376	992	1,043
	376	992	1,043
Total assets	1,918	1,909	2,447
<i>Less:</i>			
Current liabilities			
Accounts payable and accruals	272	142	81
Total liabilities	272	142	81
Net assets	1,646	1,767	2,366
Shareholders' equity			
Share capital	5,006	5,001	5,001
Retained earnings	(3,360)	(3,234)	(2,635)
Total shareholders' equity	1,646	1,767	2,366

Statement of movements in equity for the 6 months ended 30 September 2004

	Sep-04 \$000 Unaudited	Mar-04 \$000 Audited	Sep-03 \$000 Unaudited
Opening equity	1,767	3,042	3,042
Total recognised revenue and expenses			
Net surplus/(deficit) for the period	(126)	(1,275)	(676)
Contributions from owners			
Partly-paid Redeemable shares (convertible to ordinary)	5	-	-
Closing equity	1,646	1,767	2,366

Statement of cash flows for the 6 months ended 30 September 2004

	Sep-04 (6 months) \$000 Unaudited	Mar-04 (12 months) \$000 Audited	Sep-03 (6 months) \$000 Unaudited
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Interest received	18	72	73
Other receipts	67	-	22
Sales receipts	-	153	15
	85	225	110
<i>Cash was applied to:</i>			
Payments to suppliers and employees	(640)	(1,351)	(751)
	(640)	(1,351)	(751)
Net cash flow from (used in) operating activities	(555)	(1,126)	(641)
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment	71	35	-
	71	35	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(48)	(243)	(205)
	(48)	(243)	(205)
Net cash flow from (used in) investing activities	23	(208)	(205)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Partly-paid Redeemable shares (convertible to ordinary)	5	-	-
Net cash flow from financing activities	5	-	-
Net increase/(decrease) in cash held	(527)	(1,334)	(846)
Opening cash	895	2,229	2,229
Cash balance as per statement of financial position	368	895	1,383

Notes to the financial statements for the 6 months ended 30 September 2004

	Sep-04 \$000 Unaudited	Mar-04 \$000 Audited	Sep-03 \$000 Unaudited
1. Reconciliation of net surplus/(deficit) after taxation with the cash flow from operating activities			
Reported surplus/(deficit) after taxation	(126)	(1,275)	(676)
<i>Add/(less) non-cash items:</i>			
Depreciation	42	96	48
Loss/(Gain) on sale of property, plant and equipment	(466)	6	-
<i>Movements in working capital:</i>			
Accounts payable and accruals	131	9	(51)
Income tax refunds due	-	7	-
Accounts receivable and prepayments	(1,152)	31	38
Stock on hand	-	-	-
<i>Items classified as Investing activities:</i>			
Receivable from the sale of property	1,016	-	-
Net cash flow from (used in) operating activities	(555)	(1,126)	(641)

Statement of accounting policies

The interim financial statements have been prepared in accordance with FRS-24: Interim Financial Statements, and should be read in conjunction with the annual report for the year ended 31 March 2004. The disclosure required in the interim financial statements is less extensive than that required for an annual financial report. However, the accounting policies applied are consistent with those used in the annual financial statements.

There have been no significant changes to the operational or financial circumstances of the Company since the previous annual report.